

**Easttown Municipal Authority  
(A Component Unit of  
Easttown Township,  
Pennsylvania)**

Financial Statements  
Years Ended December 31, 2020 and 2019



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**EASTTOWN MUNICIPAL AUTHORITY  
(A Component Unit of Easttown Township, Pennsylvania)**

***CONTENTS***

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<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<i>Statements of Net Position – Modified Cash Basis</i>	<b>6</b>
<i>Statements of Revenues, Expenses and Changes in Net Position –         Modified Cash Basis</i>	<b>7</b>
<i>Statements of Cash Flows – Modified Cash Basis</i>	<b>8</b>
<i>Notes to Financial Statements</i>	<b>9</b>
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	<b>14</b>

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## INDEPENDENT AUDITOR'S REPORT

**Members of the Board  
Easttown Municipal Authority  
Devon, Pennsylvania**

We have audited the accompanying financial statements of Easttown Municipal Authority, a component unit of Easttown Township, Pennsylvania, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easttown Municipal Authority, as of December 31, 2020 and 2019, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Report on Summarized Comparative Information**

The financial statements of Easttown Municipal Authority as of and for the year ended December 31, 2019, were audited by other auditors whose report dated March 21, 2020 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021, on our consideration of Easttown Municipal Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Easttown Municipal Authority's internal control over financial reporting and compliance.

**BBD, LLP**

**Philadelphia, Pennsylvania  
April 30, 2021**

# **EASTTOWN MUNICIPAL AUTHORITY**

## **(A Component Unit of Easttown Township, Pennsylvania)**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**December 31, 2020**

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Management's discussion and analysis ("**MD&A**") of the Easttown Municipal Authority (the "**Authority**") provides an overview of the Authority's financial performance for 2020. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

The Authority was established through Ordinance Number 87 of Easttown Township (the "**Township**") on December 9, 1968. The Township created the Authority for the purpose of planning, constructing, renovating and acquiring certain assets for the collection and treatment of wastewater for the benefit of the residents of the Township. The sewer system owned by the Authority is operated and maintained by the Township under a long-term lease rental agreement. The Authority is part of the primary government of the Township and is reported as a blended component unit in the Township's financial statements. The activities of the Authority are accounted for as an enterprise fund of the proprietary fund type. An enterprise fund accounts for the operations that are financed and operated in a manner similar to private enterprises where the intent is that the cost of providing goods and services be recovered primarily through user fees and charges. The operating revenues of the Authority consist solely of lease rental payments from the Township.

#### **FINANCIAL HIGHLIGHTS**

- At December 31, 2020, the Authority's assets and deferred outflows of resources exceeded its liabilities by \$13,197.
- During 2020, the Authority's net position decreased by \$328,690. The decrease for 2020 was primarily due to depreciation and interest expense in excess of sewer lease income.
- In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 14, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every "non-essential business" in Chester County, Pennsylvania for what was an extended period of time resulting in a disruption of Authority services.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The MD&A is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) basic financial statements and 2) notes to the basic financial statements.

#### **BASIC FINANCIAL STATEMENTS**

The *Statement of Net Position – Modified Cash Basis* presents information on all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position- Modified Cash Basis* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The *Statement of Cash Flows – Modified Cash Basis* presents the sources and uses of cash during the course of the fiscal year. The net effect of cash flows is reconciled to cash balances held by the Authority at the beginning and end of the reporting period.

The basic financial statements can be found on Pages 6 through 8 of this report.

#### **NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The notes to the financial statements can be found on Pages 9 through 13 of this report.

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**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township, Pennsylvania)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**December 31, 2020**

**FINANCIAL ANALYSIS**

As noted above, net position may serve over time as a useful indicator of an entity's financial health. In the case of the Authority, assets and deferred outflows exceeded liabilities by \$13,197 at December 31, 2020. A summary of the Statement of Net Position – Modified Cash Basis as of December 31, 2020 and 2019 is presented below.

**Statements of Net Position**

	<u>2020</u>	<u>2019</u>
Assets		
Current assets	\$ 6,071,372	\$ 3,781,613
Noncurrent assets	<u>11,969,946</u>	<u>11,629,259</u>
Total assets	<u>18,041,318</u>	<u>15,410,872</u>
Deferred Outflows of Resources	<u>159,704</u>	<u>266,005</u>
Liabilities		
Current liabilities	655,000	640,000
Noncurrent liabilities	<u>17,532,825</u>	<u>14,694,990</u>
Total liabilities	<u>18,187,825</u>	<u>15,334,990</u>
Net Position		
Net investment in capital assets (deficit)	(897,652)	(2,023,057)
Unrestricted	<u>910,849</u>	<u>2,364,944</u>
Total net position	<u>\$ 13,197</u>	<u>\$ 341,887</u>

The Authority's total assets as of December 31, 2020 were \$18,041,318, of which \$6,071,372 or 33.65% consisted of cash and \$11,969,946 or 66.35% consisted of the Authority's investment in capital assets. The Authority's total liabilities as of December 31, 2020 were \$18,187,825, of which \$17,650,000 or 97.04% consisted of the Authority's guaranteed sewer revenue bonds payable.

Another portion of the Authority's net position reflects its net investment in capital assets (land, buildings and improvements and infrastructure), less any outstanding debt to acquire those assets, which was a deficit of \$897,652 as of December 31, 2020. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended December 31, 2020, the Authority's net investment in capital assets increased by \$1,125,405 because the Authority's debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated.

The Authority's net position decreased by \$328,690 during 2020. A summary of the Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis for the years ending December 31, 2020 and 2019 is presented below.

**Statements of Revenues, Expenses and Changes in Net Position**

	<u>2020</u>	<u>2019</u>
Operating revenues	\$1,210,387	\$1,278,834
Operating expenses	<u>981,993</u>	<u>993,912</u>
Operating income	<u>228,394</u>	<u>284,922</u>
Nonoperating revenues (expenses)		
Interest income	22,519	74,962
Interest expense	(451,669)	(573,884)
Issuance costs	<u>(127,934)</u>	<u>(144,765)</u>
	<u>(557,084)</u>	<u>(643,687)</u>
Change in net position	<u>\$ (328,690)</u>	<u>\$ (358,765)</u>

# **EASTTOWN MUNICIPAL AUTHORITY**

## **(A Component Unit of Easttown Township, Pennsylvania)**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**December 31, 2020**

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The Authority's operating revenues for 2020 and 2019 consisted primarily of sewer lease payments (\$1,000,467 or 82.66% in 2020 and \$1,249,314 or 97.69% in 2019). The Authority's operating expenses for 2020 and 2019 consisted primarily of depreciation and amortization expense (\$932,528 or 94.96% in 2020 and \$868,867 or 87.42% in 2019). Nonoperating revenues and expenses consist primarily of interest expense on the Authority's sewer revenue bonds payable.

#### **CAPITAL ASSETS**

The Authority's investment in capital assets, net of accumulated depreciation was \$11,969,946 as of December 31, 2020 and \$11,629,259 as of December 31 2019. This investment in capital assets includes land, buildings and improvements, and improvements other than buildings. Current year capital additions were \$1,273,215 and depreciation expense was \$932,528 representing an increase of \$340,687 or 2.93% for current year. Current year capital additions consisted primarily of costs associated with the Sharp's Woods gravity main and force main replacement project.

#### **DEBT**

The Authority had outstanding guaranteed sewer revenue bonds payable of \$17,650,000 at December 31, 2020 and \$15,055,000 at December 31, 2019. The increase in the Authority's guaranteed sewer revenue bonds payable was \$2,595,000 or 17.24%. Proceeds from sewer revenue bonds payable were used to finance the planning, construction, renovation and acquisition of a sewer system for the benefit of the Township or to finance the retirement (refund) of prior sewer revenue bonds payable. The sewer revenue notes are secured by the assignment and pledge of the revenues of the sewer system and the guaranty of the Township.

On December 29, 2020, the Authority entered into a guaranteed sewer bond payable agreement for \$7,935,000 with a financial institution to currently refund the Authority's outstanding Series 2012, 2013, and 2014 bonds, to fund \$3,380,000 to the capital program, and to pay for the costs of issuance. The Authority refunded the Guaranteed Sewer Revenue Bonds to reduce future debt service payments by \$269,802.

#### **FACTORS BEARING ON THE AUTHORITY'S FUTURE**

During 2020, the Authority continued progress in implementing its multi-year capital plan for sanitary sewer systems to address operational and capacity issues:

- Sharp's Woods Gravity Main and Force Main Replacement Project – The project is all but completed. Final restoration is set for May 2021.
- Inflow and Infiltration (I&I) – The Authority approved around \$600k in I&I intervention. That project is still in progress.
- Capital Items – The Authority purchased a new pump for Saybrook Pump Station and Millbrook Pump Station.
- The Authority authorized a repair of the sewer on Dorset road.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Township Manager, Easttown Municipal Authority, 566 Beaumont Road, Devon, PA 19333.

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township, Pennsylvania)**

**STATEMENTS OF NET POSITION - MODIFIED CASH BASIS**

**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,071,372	\$ 3,781,613
<b>NONCURRENT ASSETS</b>		
Capital assets, net of accumulated depreciation of \$9,652,793 for 2020 and \$8,720,265 for 2019	11,969,946	11,629,259
<b>Total assets</b>	<u>18,041,318</u>	<u>15,410,872</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charges on refunding, net	159,704	266,005
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of bonds payable	655,000	640,000
<b>NONCURRENT LIABILITIES</b>		
Bonds payable, net of current portion	16,995,000	14,415,000
Bond premiums, net	537,825	299,560
Bond discounts, net	-	(19,570)
<b>Total noncurrent liabilities</b>	<u>17,532,825</u>	<u>14,694,990</u>
<b>Total liabilities</b>	<u>18,187,825</u>	<u>15,334,990</u>
<b>NET POSITION</b>		
Net investment in capital assets (deficit)	(897,652)	(2,023,057)
Unrestricted	910,849	2,364,944
<b>TOTAL NET POSITION</b>	<u>\$ 13,197</u>	<u>\$ 341,887</u>

**See accompanying notes**

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township, Pennsylvania)**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
MODIFIED CASH BASIS**

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Charges for services		
Sewer rents and fees	\$ 209,920	\$ 29,520
Sewer lease	<u>1,000,467</u>	<u>1,249,314</u>
<b>Total operating revenues</b>	<u>1,210,387</u>	<u>1,278,834</u>
 <b>OPERATING EXPENSES</b>		
Administrative expenses	-	4,486
Repairs and maintenance	49,465	120,559
Depreciation	<u>932,528</u>	<u>868,867</u>
<b>Total operating expenses</b>	<u>981,993</u>	<u>993,912</u>
 <b>OPERATING INCOME</b>	<u>228,394</u>	<u>284,922</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	22,519	74,962
Interest and amortization expense	(451,669)	(573,884)
Bond issuance costs	<u>(127,934)</u>	<u>(144,765)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>(557,084)</u>	<u>(643,687)</u>
 <b>CHANGE IN NET POSITION</b>	<u>(328,690)</u>	<u>(358,765)</u>
 <b>NET POSITION</b>		
Beginning of year	<u>341,887</u>	<u>700,652</u>
 <b>End of year</b>	<u>\$ 13,197</u>	<u>\$ 341,887</u>

See accompanying notes

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township, Pennsylvania)**

**STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS**

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from charges for services	\$ 1,210,387	\$ 1,278,834
Payments to suppliers for goods and services	<u>(49,465)</u>	<u>(125,045)</u>
<b>Net cash provided by operating activities</b>	<u>1,160,922</u>	<u>1,153,789</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,273,215)	(360,910)
Payment of bond issuance costs	(127,934)	(144,765)
Proceeds from bond premiums	320,840	-
Proceeds from bonds payable	7,935,000	9,974,222
Repayment of guaranteed sewer revenue bonds payable	(5,340,000)	(13,760,000)
Interest paid	<u>(408,373)</u>	<u>(555,122)</u>
<b>Net cash provided by (used for) capital and related financing activities</b>	<u>1,106,318</u>	<u>(4,846,575)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>22,519</u>	<u>74,962</u>
<b>Net increase (decrease) in cash</b>	2,289,759	(3,617,824)
<b>CASH</b>		
Beginning of year	<u>3,781,613</u>	<u>7,399,437</u>
<b>End of year</b>	<u>\$ 6,071,372</u>	<u>\$ 3,781,613</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 228,394	\$ 284,922
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>		
Depreciation	<u>932,528</u>	<u>868,867</u>
<b>Net cash provided by operating activities</b>	<u>\$ 1,160,922</u>	<u>\$ 1,153,789</u>

See accompanying notes

**EASTTOWN MUNICIPAL AUTHORITY  
(A Component Unit of Easttown Township, Pennsylvania)**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Easttown Municipal Authority (the "**Authority**") have been prepared in conformity with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards. The significant accounting principles and policies utilized by the Authority are described below:

**Organization and Reporting Entity**

Easttown Township (the "**Township**"), a Second-Class Township of the Commonwealth of Pennsylvania, adopted Resolution Number 87 on December 9, 1968, under the provisions of the Municipality Authorities Act of 1945, as amended, to organize the Authority for the purpose of planning, constructing, renovating and acquiring certain assets for the collection and treatment of wastewater for the benefit of the residents of the Township. A Certification of Incorporation for the Authority was filed and recorded with the Office of the Secretary of the Commonwealth of Pennsylvania on December 18, 1968. The Authority's Board consists of five members appointed for a five-year term by the Township Board of Supervisors.

The Authority is a component unit of the Township. The Authority is reported as if it were part of the primary government because its sole purpose is to operate a sewer system for the benefit of the residents of the Township.

**Measurement Focus and Basis of Accounting and Financial Statement Presentation**

The financial statements are presented using the economic resources measurement focus and the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the modified cash basis of accounting, the Authority recognizes revenues when received rather than when earned and expenses when paid rather than when the obligation is incurred. Modifications to the cash basis of accounting include recording capital assets, deferred charges and credits related to long-term debt, and long-term debt.

The net position of the Authority represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the Authority is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

The statement of net position – modified cash basis includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**EASTTOWN MUNICIPAL AUTHORITY  
(A Component Unit of Easttown Township, Pennsylvania)**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

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**Cash and Cash Equivalents**

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Capital Assets**

Capital assets of the Authority are recorded at cost. Donated assets are valued at their estimated fair value on the date donated. Depreciation is computed using the straight-line method over estimated assets lives as follows: buildings and improvements – 25 years and improvements other than buildings – 20 years. Major additions and betterments are capitalized while expenses for maintenance and repairs that do not add value to the asset or materially extend asset lives are charged to operations as incurred.

**Impairment of Long-Lived Assets**

The Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset. No impairment losses were recognized in 2020 and 2019.

**Revenues and Expenses**

Revenues and expenses are segregated into operating and nonoperating items. Operating revenues generally result from providing service in connection with the Authority's principal operations. The principal operating revenues of the Authority are sewer fees and lease income from the Township. Operating expenses include administrative expenses, repairs and maintenance and depreciation expense on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

**(2) DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Authority is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

At December 31, 2020, the carrying amount of the Authority's deposits was \$6,071,372 and the bank balance was \$6,342,493. Of the bank balance, \$500,000 was covered by federal depository insurance and \$5,842,493 was collateralized by the Authority's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds.

At December 31, 2019, the carrying amount of the Authority's deposits was \$3,781,613 and the bank balance was \$3,785,080. Of the bank balance, \$500,000 was covered by federal depository insurance and \$3,285,050 was collateralized by the Authority's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds.

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township, Pennsylvania)**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**(3) CAPITAL ASSETS**

A summary of the changes in the Authority's capital assets for 2020 and 2019 is as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>January 1, 2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>December 31, 2020</b>
Capital assets not being depreciated				
Land	\$ 294,170	\$ -	\$ -	\$ 294,170
Capital assets being depreciated				
Buildings and improvements	800,746	-	-	800,746
Improvements other than buildings	19,254,608	1,273,215	-	20,527,823
Total capital assets being depreciated	<u>20,055,354</u>	<u>1,273,215</u>	<u>-</u>	<u>21,328,569</u>
Less accumulated depreciation for				
Buildings and improvements	(450,868)	(30,925)	-	(481,793)
Improvements other than buildings	<u>(8,269,397)</u>	<u>(901,603)</u>	<u>-</u>	<u>(9,171,000)</u>
Total accumulated depreciation	<u>(8,720,265)</u>	<u>(932,528)</u>	<u>-</u>	<u>(9,652,793)</u>
Total capital assets being depreciated, net	<u>11,335,089</u>	<u>340,687</u>	<u>-</u>	<u>11,675,776</u>
Total capital assets, net	<u>\$11,629,259</u>	<u>\$ 340,687</u>	<u>\$ -</u>	<u>\$11,969,946</u>
	<b>Balance</b>			<b>Balance</b>
	<b>January 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>December 31, 2019</b>
Capital assets not being depreciated				
Land	\$ 294,170	\$ -	\$ -	\$ 294,170
Capital assets being depreciated				
Buildings and improvements	800,746	-	-	800,746
Improvements other than buildings	18,893,698	360,910	-	19,254,608
Total capital assets being depreciated	<u>19,694,444</u>	<u>360,910</u>	<u>-</u>	<u>20,055,354</u>
Less accumulated depreciation for				
Buildings and improvements	(419,943)	(30,925)	-	(450,868)
Improvements other than buildings	<u>(7,431,455)</u>	<u>(837,942)</u>	<u>-</u>	<u>(8,269,397)</u>
Total accumulated depreciation	<u>(7,851,398)</u>	<u>(868,867)</u>	<u>-</u>	<u>(8,720,265)</u>
Total capital assets being depreciated, net	<u>11,843,046</u>	<u>(507,957)</u>	<u>-</u>	<u>11,335,089</u>
Total capital assets, net	<u>\$12,137,216</u>	<u>\$(507,957)</u>	<u>\$ -</u>	<u>\$11,629,259</u>

**(4) LONG-TERM DEBT**

Long-term debt was issued to finance capital expenditures or to finance the retirement (refund) prior long-term debt. Long-term debt outstanding as of December 31, 2020 and 2019 consisted of the following:

**EASTTOWN MUNICIPAL AUTHORITY  
(A Component Unit of Easttown Township, Pennsylvania)**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

On September 13, 2012, the Authority issued the Guaranteed Sewer Revenue Bonds, Series of 2012 (the "**Series 2012 Bonds**") to a financial institution in the principal amount of \$5,280,000. The proceeds of the Series 2012 Bonds were used for (a) the partial advance refunding of the Guaranteed Sewer Revenue Bonds, Series of 2007, and (b) the payment of costs incurred to issue the Series 2012 Bonds. The Series 2012 Bonds are payable annually in varying amounts from September 2013 to September 2032 and is secured by the guaranty of the Township. Interest is payable monthly at fixed rates of 1.00%-3.25%.

On July 10, 2013, the Authority issued the Guaranteed Sewer Revenue Bonds, Series of 2013 (the "**Series 2013 Bonds**") to a financial institution in the principal amount of \$2,185,000. The proceeds of the Series 2013 Bonds were used for (a) the current refunding of the remaining outstanding Guaranteed Sewer Revenue Bonds, Series of 2007, and (b) the payment of costs incurred to issue the Series 2013 Bonds. The Series 2013 Bonds are payable annually in varying amounts from September 2014 to September 2025 and is secured by the assignment and pledge of the revenues of the sewer system and the guaranty of the Township. Interest is payable monthly at fixed rates of 2.00%-3.20%.

On December 4, 2014, the Authority issued the Guaranteed Sewer Revenue Bonds, Series of 2014 (the "**Series 2014 Bonds**") to a financial institution in the principal amount of \$4,900,000. The proceeds of the Series 2014 Bonds were used for (a) the current refunding of the remaining outstanding Guaranteed Sewer Revenue Bonds, Series of 2010 and (b) the payment of costs incurred to issue the Series 2014 Bonds. The Series 2014 Bonds are payable annually in varying amounts from September 2015 to September 2027 and is secured by the guaranty of the Township. Interest is payable monthly at fixed rates of 0.55%-4.00%.

On October 24, 2019, the Authority issued the Guaranteed Sewer Revenue Bonds, Series of 2019 (the "**Series 2019 Bonds**") to a financial institution in the principal amount of \$9,725,000. The proceeds of the Series 2019 Bonds were used for (a) the current refunding of the remaining outstanding Guaranteed Sewer Revenue Bonds, Series of 2011, (b) the partial current refunding of the Guaranteed Sewer Revenue Bonds, Series of 2012, and (c) the payment of costs incurred to issue the Series 2019 Bonds. The Series 2019 Bonds are payable annually in varying amounts from September 2020 to September 2036 and is secured by the guaranty of the Township. Interest is payable monthly at fixed rates of 2.00%-3.00%.

On December 29, 2020, the Authority issued the Guaranteed Sewer Revenue Bonds, Series of 2020 (the "**Series 2020 Bonds**") to a financial institution in the principal amount of \$7,935,000. The proceeds of the Series 2020 Bonds were used for (a) the current refunding of the remaining outstanding Guaranteed Sewer Revenue Bonds, Series of 2012, (b) the current refunding of the remaining outstanding Guaranteed Sewer Revenue Bonds, Series of 2013, (c) the current refunding of the remaining outstanding Guaranteed Sewer Revenue Bonds, Series of 2014, (d) to fund \$3,380,000 to the capital program, and (e) the payment of costs incurred to issue the Series 2020 Bonds. The Series 2020 Bonds are payable annually in varying amounts from September 2021 to September 2040 and is secured by the guaranty of the Township. Interest is payable monthly at fixed rates of 2.00%-4.00%. The Authority refunded the Guaranteed Sewer Revenue Bonds to reduce future debt service payments by \$269,802.

Annual debt service requirements to maturity on these obligations is as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 655,000	\$ 401,311	\$ 1,056,311
2022	630,000	449,160	1,079,160
2023	645,000	436,510	1,081,510
2024	805,000	423,560	1,228,560
2025	915,000	392,910	1,307,910
2026-2030	5,045,000	1,546,250	6,591,250
2031-2035	5,575,000	813,245	6,388,245
2036-2040	<u>3,380,000</u>	<u>188,650</u>	<u>3,568,650</u>
	<u>\$17,650,000</u>	<u>\$4,651,596</u>	<u>\$22,301,596</u>

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township, Pennsylvania)**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

A summary of the changes in the Authority's Sewer Revenue Bonds payable for 2020 and 2019 is as follows:

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2020</u>	<u>Amount Due Within One Year</u>
<b>Guaranteed sewer revenue bonds</b>					
Series of 2012	\$ 695,000	\$ -	\$ 695,000	\$ -	\$ -
Series of 2013	1,780,000	-	1,780,000	-	-
Series of 2014	2,855,000	-	2,855,000	-	-
Series of 2019	9,725,000	-	10,000	9,715,000	5,000
Series of 2020	<u>-</u>	<u>7,935,000</u>	<u>-</u>	<u>7,935,000</u>	<u>650,000</u>
	<u>\$15,055,000</u>	<u>\$7,935,000</u>	<u>\$5,340,000</u>	<u>\$17,650,000</u>	<u>\$655,000</u>
	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2019</u>	<u>Amount Due Within One Year</u>
<b>Guaranteed sewer revenue bonds</b>					
Series of 2011	\$ 8,725,000	\$ -	\$ 8,725,000	\$ -	\$ -
Series of 2012	5,140,000	-	4,445,000	695,000	25,000
Series of 2013	2,065,000	-	285,000	1,780,000	285,000
Series of 2014	3,160,000	-	305,000	2,855,000	320,000
Series of 2019	<u>-</u>	<u>9,725,000</u>	<u>-</u>	<u>9,725,000</u>	<u>10,000</u>
	<u>\$19,090,000</u>	<u>\$9,725,000</u>	<u>\$13,760,000</u>	<u>\$15,055,000</u>	<u>\$640,000</u>

**(5) SEWER SYSTEM LEASE**

The sewer system owned by the Authority is operated by the Township under long-term lease rental agreements. Pursuant to the lease rental agreements, the Township must operate and maintain the sewer system to make lease rental payments to the Authority sufficient to pay the debt service obligations and administrative fees incurred by the Authority to acquire, construct and renovate the sewer system. All sewer revenues of the Township are pledged for the payment of operating expenses and lease rentals. The lease rental agreements expire September 2040 unless the related debt is retired earlier. The minimum annual lease rental payments to be received under the agreements are equivalent to the annual debt service requirements under the Authority's Sewer Revenue Notes payable **(See Note 4)**.

**(6) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 30, 2021, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2020 that required recognition or disclosure in the financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Members of the Board  
Easttown Municipal Authority  
Devon, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of Easttown Municipal Authority, a component unit of Easttown Township, Pennsylvania, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Easttown Municipal Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Easttown Municipal Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Easttown Municipal Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Easttown Municipal Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with **Government Auditing Standards** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BBD, LLP**

**Philadelphia, Pennsylvania  
April 30, 2021**